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# Fees hike to impact plastic industry

Manufacturers already face drastic cost increase with minimum wage ruling

By MIOR AZHAR

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THE Malaysian plastic industry is in for a tough and challenging year ahead. Already, the Malaysian Plastics Manufacturers Association (MPMA) is expressing concern over the 16.85% increase in electricity tariff for the industrial category, to be implemented from Jan 1.

Its president Lim Kok Boon said that given that electricity is the second largest cost component in the manufacture of a plastic product, the drastic increase in electricity cost will cause the plastic products made in Malaysia to be less competitive in the international market and, consequently, exports would be adversely affected.

"Other export-oriented and energy-intensive manufacturing industries in the country would also be expected to be affected too".

In addition, Lim said that the proposed increase in valuation of property and assessment rates by the Kuala Lumpur City Hall and Ipoh City Council is too excessive and unreasonable.

"Some of our members are hit by a 600% increase, which is far too drastic," he added.

"Many residents had voiced their concerns and objections to the assessment rate increase for their houses but the business sector had been silent so far. This is probably because they are not aware of such increase as many of them are just tenants in a business premise and they do not own the building. But when the landlords are forced to pay a higher assessment fee, they will pass it on to the tenants," Lim elaborated.

He said that the plastics manufacturers are already facing drastic cost increase following the increase in minimum wages which would be fully implemented effective from Jan 1.

"While we understand the Government's need to rationalise subsidies and increase assessment rate, however, a sudden and huge increase would have serious adverse effect on the manufacturers. The recent announcement on the proposed toll increase will be further a burden to our members," he added.

Lim proposed the government to gradually increase the electricity tariffs increases over a reasonable period and any rate increase should not exceed 10%.

MPMA, in the past years, has been requesting the government and Tenaga Nasional Bhd to extend the off-peak rates to all the plastics manufacturing companies.

"SME users would be worst affected as they are not eligible for any off-peak period tariff discount under the Tariff D category, unlike the medium and large users which are eligible under the Tariff E category. We have submitted memoranda to the authorities several times, requesting TNB to extend its off-peak rates to all the plastics manufacturing companies in the Tariff D category (low-voltage users), and extend the off-peak electricity tariff to cover full days of Saturdays and Sundays for all categories of TNB users, but unfortunately they were all rejected," he explained.

Lim said in 2012, Malaysia exported RM10 billion of plastic products which represent 62% of the total industry sales of RM16.1 billion.

"Electricity cost is the second largest cost component for the manufacture of plastic products meant for export, after the cost of resins."



LIM: SMEs would be worst hit